

AN ACT concerning business.

**Be it enacted by the People of the State of Illinois,  
represented in the General Assembly:**

Section 1. Short title. This Act may be cited as the Small Business Job Creation Tax Credit Act.

Section 5. Findings and purpose. The General Assembly finds that the Illinois economy is mired in one of the worst economic recessions it has ever suffered. Small businesses in particular have been hit hard by the economy, resulting in levels of high unemployment throughout the State. In order to reverse the trend of high unemployment and to help spur the economy to recovery, it is necessary to assist and encourage small businesses in the hiring of new employees.

Section 10. Definitions. In this Act:

"Applicant" means a person that is operating a business located within the State of Illinois that is engaged in interstate or intrastate commerce and has no more than 50 full-time employees, without regard to the location of employment of such employees at the beginning of the incentive period. In the case of any person that is a member of a unitary business group within the meaning of subdivision (a)(27) of Section 1501 of the Illinois Income Tax Act, "applicant" refers

to the unitary business group.

"Certificate" means the tax credit certificate issued by the Department under Section 35 of this Act.

"Certificate of eligibility" means the certificate issued by the Department under Section 20 of this Act.

"Credit" means the amount awarded by the Department to an applicant by issuance of a certificate under Section 35 of this Act for each new full-time equivalent employee hired or job created.

"Department" means the Department of Commerce and Economic Opportunity.

"Director" means the Director of the Department.

"Full-time employee" means an individual who is employed for a basic wage for at least 35 hours each week or who renders any other standard of service generally accepted by industry custom or practice as full-time employment.

"Incentive period" means the period beginning July 1, 2010 and ending on June 30, 2011.

"Basic wage" means compensation for employment that is no less than \$13.75 per hour or the equivalent salary for a new employee.

"New employee" means a full-time employee first employed by an applicant within the incentive period whose hire results in a net increase in the applicant's full-time Illinois employees and who is receiving a basic wage as compensation. The term "new employee" does not include:

(1) a person who was previously employed in Illinois by the applicant or a related member prior to the onset of the incentive period; or

(2) any individual who has a direct or indirect ownership interest of at least 5% in the profits, capital, or value of the applicant or a related member.

"Noncompliance date" means, in the case of an applicant that is not complying with the requirements of the provisions of this Act, the day following the last date upon which the taxpayer was in compliance with the requirements of the provisions of this Act, as determined by the Director, pursuant to Section 45 of this Act.

"Related member" means a person that, with respect to the applicant during any portion of the incentive period, is any one of the following,

(1) An individual, if the individual and the members of the individual's family (as defined in Section 318 of the Internal Revenue Code) own directly, indirectly, beneficially, or constructively, in the aggregate, at least 50% of the value of the outstanding profits, capital, stock, or other ownership interest in the applicant.

(2) A partnership, estate, or trust and any partner or beneficiary, if the partnership, estate, or trust and its partners or beneficiaries own directly, indirectly, beneficially, or constructively, in the aggregate, at least 50% of the profits, capital, stock, or other

ownership interest in the applicant.

(3) A corporation, and any party related to the corporation in a manner that would require an attribution of stock from the corporation under the attribution rules of Section 318 of the Internal Revenue Code, if the applicant and any other related member own, in the aggregate, directly, indirectly, beneficially, or constructively, at least 50% of the value of the corporation's outstanding stock.

(4) A corporation and any party related to that corporation in a manner that would require an attribution of stock from the corporation to the party or from the party to the corporation under the attribution rules of Section 318 of the Internal Revenue Code, if the corporation and all such related parties own, in the aggregate, at least 50% of the profits, capital, stock, or other ownership interest in the applicant.

(5) A person to or from whom there is attribution of stock ownership in accordance with Section 1563(e) of the Internal Revenue Code, except that for purposes of determining whether a person is a related member under this paragraph, "20%" shall be substituted for "5%" whenever "5%" appears in Section 1563(e) of the Internal Revenue Code.

Section 15. Powers of the Department. The Department, in

addition to those powers granted under the Civil Administrative Code of Illinois, is granted and shall have all the powers necessary or convenient to carry out and effectuate the purposes and provisions of this Act, including, but not limited to, power and authority to:

(1) Promulgate procedures, rules, or regulations deemed necessary and appropriate for the administration of this Act; establish forms for applications, notifications, contracts, or any other agreements; and accept applications at any time during the year and require that all applications be submitted via the Internet. The Department shall require that applications be submitted in electronic form.

(2) Provide guidance and assistance to applicants pursuant to the provisions of this Act, and cooperate with applicants to promote, foster, and support job creation within the State.

(3) Enter into agreements and memoranda of understanding for participation of and engage in cooperation with agencies of the federal government, units of local government, universities, research foundations or institutions, regional economic development corporations, or other organizations for the purposes of this Act.

(4) Gather information and conduct inquiries, in the manner and by the methods it deems desirable, including, without limitation, gathering information with respect to

applicants for the purpose of making any designations or certifications necessary or desirable or to gather information in furtherance of the purposes of this Act.

(5) Establish, negotiate, and effectuate any term, agreement, or other document with any person necessary or appropriate to accomplish the purposes of this Act; and consent, subject to the provisions of any agreement with another party, to the modification or restructuring of any agreement to which the Department is a party.

(6) Provide for sufficient personnel to permit administration, staffing, operation, and related support required to adequately discharge its duties and responsibilities described in this Act from funds made available through charges to applicants or from funds as may be appropriated by the General Assembly for the administration of this Act.

(7) Require applicants, upon written request, to issue any necessary authorization to the appropriate federal, State, or local authority or any other person for the release to the Department of information requested by the Department, with the information requested to include, but not be limited to, financial reports, returns, or records relating to the applicant or to the amount of credit allowable under this Act.

(8) Require that an applicant shall at all times keep proper books of record and account in accordance with

generally accepted accounting principles consistently applied, with the books, records, or papers related to the agreement in the custody or control of the applicant open for reasonable Department inspection and audits, and including, without limitation, the making of copies of the books, records, or papers.

(9) Take whatever actions are necessary or appropriate to protect the State's interest in the event of bankruptcy, default, foreclosure, or noncompliance with the terms and conditions of financial assistance or participation required under this Act, including the power to sell, dispose of, lease, or rent, upon terms and conditions determined by the Director to be appropriate, real or personal property that the Department may recover as a result of these actions.

Section 20. Certificate of eligibility for tax credit.

(a) An applicant that has hired a new employee during the incentive period may apply for a certificate of eligibility for the credit with respect to that position on or after the date of hire of the new employee. The date of hire shall be the first day on which the employee begins providing services for basic wage compensation.

(b) An applicant may apply for a certificate of eligibility for the credit for more than one new employee on or after the date of hire of each qualifying new employee.

(c) After receipt of an application under this Section, the Department shall issue a certificate of eligibility to the applicant, stating:

(1) The date and time on which the application was received by the Department and an identifying number assigned to the applicant by the Department.

(2) The maximum amount of the credit the applicant could potentially receive under this Act with respect to the new employees listed on the application.

(3) The maximum amount of the credit potentially allowable on certificates of eligibility issued for applications received prior to the application for which the certificate of eligibility is issued.

Section 25. Tax credit.

(a) Subject to the conditions set forth in this Act, an applicant is entitled to a credit against payment of taxes withheld under Section 704A of the Illinois Income Tax Act for calendar years ending on or after the date that is 12 months after the date of hire of a new employee. The credit shall be allowed as a credit to an applicant for each full-time employee hired during the incentive period that results in a net increase in full-time Illinois employees, where the net increase in the employer's full-time Illinois employees is maintained for at least 12 months.

(b) The Department shall make credit awards under this Act



to further job creation.

(c) The credit shall be claimed for the first calendar year ending on or after the date on which the certificate is issued by the Department.

(d) The credit shall not exceed \$2,500 per new employee hired.

(e) The net increase in full-time Illinois employees, measured on an annual full-time equivalent basis, shall be the total number of full-time Illinois employees of the applicant on June 30, 2011, minus the number of full-time Illinois employees employed by the employer on July 1, 2010. For purposes of the calculation, an employer that begins doing business in this State during the incentive period, as determined by the Director, shall be treated as having zero Illinois employees on July 1, 2010.

(f) The net increase in the number of full-time Illinois employees of the applicant must be sustained continuously for at least 12 months, starting with the date of hire of a new employee during the incentive period. Eligibility for the credit does not depend on the continuous employment of any particular individual. For purposes of this subsection (f), if a new employee ceases to be employed before the completion of the 12-month period for any reason, the net increase in the number of full-time Illinois employees shall be treated as continuous if a different new employee is hired as a replacement within a reasonable time for the same position.

Section 30. Maximum amount of credits allowed. The Department shall limit the monetary amount of credits awarded under this Act to no more than \$50,000,000. If applications for a greater amount are received, credits shall be allowed on a first-come-first-served basis, based on the date on which each properly completed application for a certificate of eligibility is received by the Department. If more than one certificate of eligibility is received on the same day, the credits will be awarded based on the time of submission for that particular day.

Section 35. Application for award of tax credit; tax credit certificate.

(a) On or after the conclusion of the 12-month period after a new employee has been hired, an applicant shall file with the Department an application for award of a credit. The application shall include the following:

(1) The names, Social Security numbers, job descriptions, salary or wage rates, and dates of hire of the new employees with respect to whom the credit is being requested.

(2) A certification that each new employee listed has been retained on the job for one year from the date of hire.

(3) The number of new employees hired by the applicant

during the incentive period.

(4) The net increase in the number of full-time Illinois employees of the applicant (including the new employees listed in the request) between the beginning of the incentive period and the dates on which the new employees listed in the request were hired.

(5) An agreement that the Director is authorized to verify with the appropriate State agencies the information contained in the request before issuing a certificate to the applicant.

(6) Any other information the Department determines to be appropriate.

(b) Although an application may be filed at any time after the conclusion of the 12-month period after a new employee was hired, an application filed more than 90 days after the earliest date on which it could have been filed shall not be awarded any credit if, prior to the date it is filed, the Department has received applications under this Section for credits totaling more than \$50,000,000.

(c) The Department shall issue a certificate to each applicant awarded a credit under this Act. The certificate shall include the following:

(1) The name and taxpayer identification number of the applicant.

(2) The date on which the certificate is issued.

(3) The credit amount that will be allowed.

(4) Any other information the Department determines to be appropriate.

Section 40. Submission of tax credit certificate to Department of Revenue. An applicant claiming a credit under this Act shall submit to the Department of Revenue a copy of each certificate issued under Section 35 of this Act with the first return for which the credit shown on the certificate is claimed. However, failure to submit a copy of the certificate with the applicant's return shall not invalidate a claim for a credit.

Section 45. Noncompliance with Act. If the Director determines that an applicant who has received a credit under this Act is not complying with the requirements of the provisions of this Act, the Director shall provide notice to the applicant of the alleged noncompliance, and allow the taxpayer a hearing under the provisions of the Illinois Administrative Procedure Act. If, after such notice and any hearing, the Director determines that a noncompliance exists, the Director shall issue to the Department of Revenue notice to that effect, stating the noncompliance date.

Section 50. Rules. The Department may adopt rules necessary to implement this Act. The rules may provide for recipients of credits under this Act to be charged fees to cover

administrative costs of the tax credit program.

Section 90. The Illinois Income Tax Act is amended by changing Section 704A as follows:

(35 ILCS 5/704A)

Sec. 704A. Employer's return and payment of tax withheld.

(a) In general, every employer who deducts and withholds or is required to deduct and withhold tax under this Act on or after January 1, 2008 shall make those payments and returns as provided in this Section.

(b) Returns. Every employer shall, in the form and manner required by the Department, make returns with respect to taxes withheld or required to be withheld under this Article 7 for each quarter beginning on or after January 1, 2008, on or before the last day of the first month following the close of that quarter.

(c) Payments. With respect to amounts withheld or required to be withheld on or after January 1, 2008:

(1) Semi-weekly payments. For each calendar year, each employer who withheld or was required to withhold more than \$12,000 during the one-year period ending on June 30 of the immediately preceding calendar year, payment must be made:

(A) on or before each Friday of the calendar year, for taxes withheld or required to be withheld on the immediately preceding Saturday, Sunday, Monday, or

Tuesday;

(B) on or before each Wednesday of the calendar year, for taxes withheld or required to be withheld on the immediately preceding Wednesday, Thursday, or Friday.

(2) Semi-weekly payments. Any employer who withholds or is required to withhold more than \$12,000 in any quarter of a calendar year is required to make payments on the dates set forth under item (1) of this subsection (c) for each remaining quarter of that calendar year and for the subsequent calendar year.

(3) Monthly payments. Each employer, other than an employer described in items (1) or (2) of this subsection, shall pay to the Department, on or before the 15th day of each month the taxes withheld or required to be withheld during the immediately preceding month.

(4) Payments with returns. Each employer shall pay to the Department, on or before the due date for each return required to be filed under this Section, any tax withheld or required to be withheld during the period for which the return is due and not previously paid to the Department.

(d) Regulatory authority. The Department may, by rule:

(1) If the aggregate amounts required to be withheld under this Article 7 do not exceed \$1,000 for the calendar year, permit employers, in lieu of the requirements of subsections (b) and (c), to file annual returns due on or

before January 31 of the following year for taxes withheld or required to be withheld during that calendar year and to pay the taxes required to be shown on each such return no later than the due date for such return.

(2) Provide that any payment required to be made under subsection (c)(1) or (c)(2) is deemed to be timely to the extent paid by electronic funds transfer on or before the due date for deposit of federal income taxes withheld from, or federal employment taxes due with respect to, the wages from which the Illinois taxes were withheld.

(3) Designate one or more depositories to which payment of taxes required to be withheld under this Article 7 must be paid by some or all employers.

(4) Increase the threshold dollar amounts at which employers are required to make semi-weekly payments under subsection (c)(1) or (c)(2).

(e) Annual return and payment. Every employer who deducts and withholds or is required to deduct and withhold tax from a person engaged in domestic service employment, as that term is defined in Section 3510 of the Internal Revenue Code, may comply with the requirements of this Section with respect to such employees by filing an annual return and paying the taxes required to be deducted and withheld on or before the 15th day of the fourth month following the close of the employer's taxable year. The Department may allow the employer's return to be submitted with the employer's individual income tax return

or to be submitted with a return due from the employer under Section 1400.2 of the Unemployment Insurance Act.

(f) Magnetic media and electronic filing. Any W-2 Form that, under the Internal Revenue Code and regulations promulgated thereunder, is required to be submitted to the Internal Revenue Service on magnetic media or electronically must also be submitted to the Department on magnetic media or electronically for Illinois purposes, if required by the Department.

(g) For amounts deducted or withheld after December 31, 2009, a taxpayer who makes an election under Section 5-15(f) of the Economic Development for a Growing Economy Act for a taxable year shall be allowed a credit against payments due under this Section for amounts withheld during the first calendar year beginning after the end of that taxable year equal to the amount of the credit awarded to the taxpayer by the Department of Commerce and Economic Opportunity under the Economic Development for a Growing Economy Act for the taxable year. The credit may not reduce the taxpayer's obligation for any payment due under this Section to less than zero. If the amount of the credit exceeds the total payments due under this Section with respect to amounts withheld during the calendar year, the excess may be carried forward and applied against the taxpayer's liability under this Section in the 5 succeeding calendar years. The credit shall be applied to the earliest year for which there is a tax liability. If there are credits



from more than one taxable year that are available to offset a liability, the earlier credit shall be applied first. This Section is exempt from the provisions of Section 250 of this Act.

(h) An employer may claim a credit against payments due under this Section for amounts withheld during the first calendar year ending after date on which a tax credit certificate was issued under Section 35 of the Small Business Job Creation Tax Credit Act. The credit shall be equal to the amount shown on the certificate, but may not reduce the taxpayer's obligation for any payment due under this Section to less than zero. If the amount of the credit exceeds the total payments due under this Section with respect to amounts withheld during the calendar year, the excess may be carried forward and applied against the taxpayer's liability under this Section in the 5 succeeding calendar years. The credit shall be applied to the earliest year for which there is a tax liability. If there are credits from more than one calendar year that are available to offset a liability, the earlier credit shall be applied first. This Section is exempt from the provisions of Section 250 of this Act.

(Source: P.A. 95-8, eff. 6-29-07; 95-707, eff. 1-11-08; 96-834, eff. 12-14-09.)

Section 999. Effective date. This Act takes effect upon becoming law.